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China Zenith Chemical Group Limited

中國天化工集團有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 362)

PLACING OF BONDS

This announcement is made pursuant to the Inside Information Provisions (as defined in the Listing Rules) and Rule 13.09(2)(a) of the Listing Rules.

On 2 May 2017 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Placing Agent has conditionally agreed to procure, on a best endeavour basis, independent Placees (which may include the Placing Agent and its associates) to subscribe in cash for one or multiple tranches of the Bonds in an aggregated principal amount of up to HK\$200,000,000 during the Placing Period.

A Placing Completion is subject to, among others, the Placing Agent's rights of termination of a Placing under the Placing Agreement. Accordingly, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

This announcement is made pursuant to the Inside Information Provisions (as defined in the Listing Rules) and Rule 13.09(2)(a) of the Listing Rules.

THE PLACING AGREEMENT

On 2 May 2017 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement for the Placing of the Bonds. Summarised below are the salient terms of the Placing Agreement and the principal terms of the Bonds.

Date : 2 May 2017 (after trading hours)

Issuer : The Company

Placing Agent : Pico Zeman Securities (HK) Limited

To the best of the Director's knowledge, information and belief after having made all reasonable enquiries, as at the date of this announcement, the Placing Agent is an independent third party and is not a connected person (as defined in the Listing Rules) of the Company.

Placees : The Bonds will be placed to the Placees which will be independent professional, institutional and other individual investors (which may include the Placing Agent and its associates), and who will be and whose ultimate beneficial owners are independent third parties and are not connected persons (as defined in the Listing Rules) of the Company.

Placing Price : 100% of the principal amount of the Bonds

Placing Period : The period commencing from the date of the Placing Agreement and ends at the date falling 180 days from the date of the Placing Agreement (or such later date to be mutually agreed between the Company and the Placing Agent).

Placing Commission : The Company shall, on each of the Placing Completion Date(s), pay to the Placing Agent in respect of a Placing a commission at 1.5% of the aggregate principal amount of the Bonds successfully placed under the Placing Agreement.

The placing commission was determined after arm's length negotiation between the Company and the Placing Agent by reference to the size, the current and expected market condition and the time allowed for the Placing Agent to procure Placees for the Placing. The Directors are of the view that the placing commission payable for the Placing is fair and reasonable.

- Conditions of the Placing** : Completion of the Placing of a tranche of the Bonds is conditional upon the fulfillment of the following conditions:
- (i) the Placing Agreement not being terminated in accordance with the terms thereof, including provisions regarding force majeure event;
 - (ii) a Completion Notice having been served by the Placing Agent to the Company; and
 - (iii) no Notice of Rejection in respect of the interest rate and term proposed for such tranche of issue having been served on the Placing Agent by the Company by 6 p.m. on the Business Day immediately before the date of the relevant Completion.

The Placing Agent shall use its best endeavours to procure the satisfaction of the condition stipulated in condition (ii) above on the relevant date.

- Completion of a Placing** : A Placing Completion shall take place on the second Business Day after the fulfilment of the conditions set out above or such other date to be agreed between the Company and the Placing Agent.

- Termination Rights of the Placing Agent** : If any of the following events occur at any time on or prior to 4:00 p.m. on each of the Placing Completion Date(s) in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by:
- (i) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing of the Shares by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or

- (iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation to suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Bonds to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

If, at or prior to 9:00 a.m. on the expiry date of the Placing Period;

- (i) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or

- (ii) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated, the Placing Agent shall, in its absolute opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.

In the event that the Placing Agent terminates the Placing Agreement due to the occurrence of any of the aforesaid events, all obligations of the Placing Agent and the Company hereunder shall cease and terminate and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

PRINCIPAL TERMS OF THE BONDS

- Aggregate Principal Amount** : Up to HK\$200,000,000
- Interest** : 3% to 12% per annum. For each tranche of issue, the Placing Agent shall state in the Completion Notice the interest rate it proposes which shall not be less than 3% and more than 12% for agreement and acceptance by the Company. Interest shall be calculated on the basis of the proposed interest rate (subject to the agreement and acceptance by the Company) and the face value of the Bonds payable in arrears annually on each of the anniversary dates of the issuance of the Bonds with the last interest payment being paid on the relevant Maturity Date of the Bonds. The Company is deemed to agree and accept the interest rate proposed unless a written Notice of Rejection is served on the Placing Agent no later 6 p.m. on the Business Day following receipt of the relevant Completion Notice by the Company.

- Term and Maturity** : 4 to 10 years. For each tranche of issue, the Placing Agent shall state in the Completion Notice the term it proposes which shall not be less than 4 years and more than 10 years from the date of issue for agreement and acceptance by the Company. The Bonds shall fall mature upon expiry of the proposed term subject to the agreement and acceptance by the Company (or, if that is not a Business Day, the first Business Day thereafter). The Company is deemed to agree and accept the term proposed unless a written Notice of Rejection is served on the Placing Agent no later 6 p.m. on the Business Day following receipt of the relevant Completion Notice by the Company.
- Prepayment and Early Redemption** : The Company may prepay the outstanding principal amount of a Bond (together with interests) at any time before the relevant Maturity Date by giving the Bondholder not less than five Business Days' prior notice in writing.
- Events of Default** : If any of the events of default set out in the Placing Agreement occurs, the Company shall within 10 Business Days of such event occurring give notice to the Bondholder. Within 10 Business Days after the Company despatches the notice, a Bondholder may give notice to the Company that the Bond are immediately due and payable, whereupon they shall become immediately due and payable in the amounts which would otherwise be due on the Maturity Date.
- Status of the Bonds** : The obligations of the Company arising under the Bonds constitute general, unsecured obligations of the Company and rank, and will rank equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.
- Transferability** : The Bonds (nor any part thereof) may be transferred to any person subject to that the Bonds may not be transferred by the Bondholder(s) to any connected person (as defined in the Listing Rules) of the Company without the prior written consent of the Company.
- Listing** : No application will be made for the listing of the Bonds on the Stock Exchange or any other stock exchange.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in the manufacture and sale of coal-related chemical products and generation and supply of power and steam. Coal related chemical products comprise vinyl acetate products, polyvinyl-chloride products and calcium carbide. Assuming the Bonds are placed in full, the maximum aggregate principal amount of the Placing will be HK\$200,000,000. The net proceeds (after deduction of placing commission and other costs and expenses) from the issue of the Bonds will be utilized as general working capital (including but not limited to repayment of bank loans of the Group and/or for future development of the Company). The Board considers that the Placing is in the best interests of the Company and its Shareholders as a whole.

A Placing Completion is subject to, among others, the Placing Agent's rights of termination of a Placing under the Placing Agreement. Accordingly, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Bonds
“Bond(s)”	the multiple tranches of 3%–12% coupon unsecured, non-convertible and unlisted bonds to be issued by the Company in an aggregate principal amount of up to HK\$200,000,000 due on the expiry date agreed between the Placing Agent and the Company for each tranche of issue of the bonds
“Business Day(s)”	any day (excluding a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“Company”	China Zenith Chemical Group Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Stock Exchange
“Completion Notice”	a notice in writing to be issued and served by the Placing Agent to the Company specifying, among other things, the proposed interest rate, the proposed term, the Placing Completion Date(s) and principal amount of the Bond(s) to be issued by the Company

“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Notice of Rejection”	A notice in writing served on the Placing Agent by the Company rejecting the interest rate and/or the term proposed by the Placing Agent for a tranche of issue of the Bonds
“Placee(s)”	institutional, professional or other individual investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Bonds pursuant to the Placing Agreement
“Placing”	the placing of the Bonds by the Placing Agent on a best endeavour basis pursuant to the terms of the Placing Agreement
“Placing Agent”	Pico Zeman Securities (HK) Limited, a corporation licensed to carry on Type 1 dealing in securities regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement dated 2 May 2017 entered into between the Company and the Placing Agent in relation to the Placing of the Bonds
“Placing Completion”	the completion of the Placing of the Bonds in accordance with the terms and conditions of the Placing Agreement
“Placing Completion Date(s)”	in respect of each Placee, the date(s) on which the Placing Agent serves the Completion Notice on the Company for the completion of the relevant part of the Bonds, after the fulfillment of the conditions precedent of the Placing Agreement and during the Placing Period (or such other dates as the Company and the Placing Agent may agree in writing at which Placing Completion shall take place)
“Placing Period”	the period from the date of the Placing Agreement up to and including the date falling 180 days thereafter
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

By order of the Board of
China Zenith Chemical Group Limited
Chan Yuk Foebé
Chairman and Chief Executive Officer

Hong Kong, 2 May 2017

As at the date hereof, Ms. Chan Yuk Foebé, Mr. Law Tze Ping Eric and Mr. Yu Defa are the executive Directors and Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit are the independent non-executive Directors.